

**OPEN JOINT STOCK
COMPANY “AZRE
REINSURANCE”**

**Consolidated Financial Statements
For the Year Ended December 31, 2014**

OFFICE
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OPEN JOINT STOCK COMPANY “AZRE REINSURANCE”

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OPEN JOINT STOCK COMPANY "AZRE REINSURANCE"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the "AzRe Reinsurance" Open Joint Stock Company ("OJSC") and its subsidiaries ("the Group") as at December 31, 2014, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended December 31, 2014 were approved by the Management Board on August 3, 2015:

On behalf of the Management Board:


Mr. Fuad Guliyev
Chairman of the Board

August 3, 2015
Baku, the Republic of Azerbaijan


Mrs. Lala Afandiyeva
Finance Director

August 3, 2015
Baku, the Republic of Azerbaijan

INDEPENDENT AUDITOR'S REPORT

To the Management Board and Shareholders of Open Joint Stock Company "AzRe Reinsurance":

We have audited the accompanying consolidated financial statements of the "AzRe Reinsurance" and its subsidiaries (collectively – "the Group"), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



August 3, 2015
Baku, the Republic of Azerbaijan

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OPEN JOINT STOCK COMPANY "AZRE REINSURANCE"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014 (in Azerbaijan Manats)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Gross premiums written	5	70,093,407	47,913,805
Premiums ceded	5	(13,207,226)	(8,654,761)
Premiums cancelled	5	(941,261)	(393,405)
NET PREMIUMS		55,944,920	38,865,639
Change in reserves for unearned premiums, gross	5	(3,001,663)	(2,458,053)
Change in reinsurers' share of reserves for unearned premiums	5	3,251,703	413,893
CHANGE IN RESERVES FOR UNEARNED PREMIUMS, NET		250,040	(2,044,160)
NET PREMIUMS EARNED		56,194,960	36,821,479
Gross claims paid	5	(13,349,340)	(10,087,820)
Claims ceded to reinsurers	5	149,004	-
CLAIMS PAID, NET OF REINSURERS' SHARE		(13,200,336)	(10,087,820)
Change in loss reserves, gross	5	(9,021,015)	(12,097,604)
Change in reinsurers' share of loss reserves	5	1,900,917	(195,879)
CHANGE IN LOSS RESERVES, NET		(7,120,098)	(12,293,483)
NET CLAIMS INCURRED		(20,320,434)	(22,381,303)
Acquisition costs	6	(7,724,772)	(5,984,538)
Commission income on reinsurance contracts		44,566	147,332
Operating expenses	7,20	(4,582,857)	(3,551,306)
Interest income on deposits with bank		5,149,217	4,065,139
Interest income on held-to-maturity investments		236,831	293,424
Provision for impairment of cash and cash equivalents	9	(885,318)	-
(Provision)/reversal of provision for impairment of deposits with banks	10	(1,219,166)	809,405
Foreign exchange translation loss, net		(91,608)	(57,691)
Gain/(loss) on sale of held-to-maturity investments		33,380	(6,444)
Other expense, net		(27,841)	-
PROFIT BEFORE TAX		26,806,958	10,155,497
Income tax expense	8	(5,365,530)	(2,060,317)
NET PROFIT FOR THE YEAR		21,441,428	8,095,180
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		21,441,428	8,095,180
Total comprehensive income attributable to:			
Shareholders of the Parent		21,351,641	7,918,794
Non-controlling interest		89,787	176,386
TOTAL COMPREHENSIVE INCOME		21,441,428	8,095,180

On behalf of the Management Board:

Mr. Fuad Galiyev
Chairman of the Board

August 3, 2015
Baku, the Republic of Azerbaijan

Mrs. Lala Afandiyeva
Finance Director

August 3, 2015
Baku, the Republic of Azerbaijan

The notes on pages 7-52 form an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY "AZRE REINSURANCE"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014 (in Azerbaijan Manats)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Cash and cash equivalents	9	12,887,322	20,102,514
Deposits with banks	10	72,172,161	46,451,205
Held-to-maturity investments	11	1,450,872	3,796,400
Available for sale investments	12	5,776,341	-
Insurance and reinsurance receivables	13	9,893,145	6,902,268
Reinsurers' share of reserves for unearned premiums	15	4,983,125	1,731,422
Reinsurers' share of insurance loss reserves	16	2,206,536	305,619
Deferred acquisition costs	6	1,797,062	1,963,361
Deferred tax asset	8	621,337	347,296
Property, equipment and intangible assets	14	1,458,679	1,278,239
Other non-financial assets		581,071	419,748
TOTAL ASSETS		113,827,651	83,298,072
LIABILITIES AND EQUITY			
LIABILITIES:			
Reserves for unearned premiums, gross	15	13,785,571	10,783,908
Insurance loss reserves, gross	16	30,500,779	21,479,764
Reinsurance and commissions payable	17	798,226	867,800
Current income tax liability		1,535,779	416,388
Deferred tax liability	8	1,999,350	-
Other non-financial liabilities		145,691	129,385
TOTAL LIABILITIES		48,765,396	33,677,245
EQUITY:			
Equity attributable to owners of the Company:			
Share capital	18	40,000,000	40,000,000
Retained earnings		24,179,117	8,827,476
Total equity attributable to owners of the Company		64,179,117	48,827,476
Non-controlling interest		883,138	793,351
TOTAL EQUITY		65,062,255	49,620,827
TOTAL LIABILITIES AND EQUITY		113,827,651	83,298,072

On behalf of the Management Board:

Mr. Fuad Guliyev
Chairman of the Board

August 3, 2015
Baku, the Republic of Azerbaijan



Mrs. Lala Afandiyeva
Finance Director

August 3, 2015
Baku, the Republic of Azerbaijan

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OPEN JOINT STOCK COMPANY "AZRE REINSURANCE"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014 (in Azerbaijan Manats)

	Share Capital	Retained earnings	Total equity attributable to owners of the Company	Non- controlling interest	Total Equity
December 31, 2012	40,000,000	5,908,682	45,908,682	616,965	46,525,647
Total comprehensive income for the year	-	7,918,794	7,918,794	176,386	8,095,180
Dividends paid (Note 18)	-	(5,000,000)	(5,000,000)	-	(5,000,000)
December 31, 2013	40,000,000	8,827,476	48,827,476	793,351	49,620,827
Total comprehensive income for the year	-	21,351,641	21,351,641	89,787	21,441,428
Dividends paid (Note 18)	-	(6,000,000)	(6,000,000)	-	(6,000,000)
December 31, 2014	<u>40,000,000</u>	<u>24,179,117</u>	<u>64,179,117</u>	<u>883,138</u>	<u>65,062,255</u>

On behalf of the Management Board:


Mr. Fuad Guliyev
Chairman of the Board

August 3, 2015
Baku, the Republic of Azerbaijan




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